



**Financial and Audit Oversight Committee ("FAOC")
Meeting Action Report**

Committee: Financial and Audit Oversight Committee ("FAOC")

Members: Representative Susie Byrd (Chair)
Representative Emma Acosta
Representative Steve Ortega
Representative Eddie Holguin Jr.

Non-Members: Representative Cortney Niland
Sylia Firth-Borunda, City Attorney

Staff Assignee: Edmundo S. Calderon – Chief Internal Auditor

Meeting Date/Time: Monday, November 12, 2012 – 11:00 A.M.

1. Call to order and introductions.

Representative Susie Byrd called the meeting to order at approximately at 11:08 A.M. MST. It was determined that there was a quorum.

2. Approval of Minutes for the Financial and Audit Oversight Committee meeting of October 15, 2012. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Representative Holguin made a motion to approve the minutes for the Financial and Audit Oversight Committee ("FAOC") Meeting of October 15, 2012. Representative Ortega seconded the motion. Motion passed unanimously.

**3. Discussion and Action on Governmental Accounting Standards Board Statement No. 54 as it related to various policies and financial reporting.
[Financial Services, Dr. Mark Sutter, (915) 541-4014]**

Summary:

Dr. Mark Sutter, Comptroller, introduced and explained the Governmental Fund Balance sheet, per GASB 54. Dr. Mark Sutter explained that the Fund Balance designations are changing from three categories (Reserved, Designated, and Unreserved) to five categories (Non-spendable, Restricted, Committed, Assigned, and Unassigned). The proposed amendments are as follows: 1. the modification of the Debt Management Policy Section 10.3 to remove "unrestricted", 2. the modification of the Investment Policy Exhibit A (Investment Strategy); Specific City funds, section (a) to include "restricted", and 3. the replacement of "unreserved fund balance" with "unassigned fund balance" or "spendable fund balance" in the Budget Policies Sections IV, V and X. Dr. Mark Sutter addressed questions from the committee and explained that the cash reserve of sixteen million dollars by Charter would be

under “restricted.” Dr. Mark Sutter addressed the Hotel Occupancy Tax ordinance example to better explain the committed designation. Dr. Mark Sutter acknowledged that the fund balance may also include the assigned designation, which must be used on a project basis.

Representative Ortega commented.

Representative Acosta commented.

Representative Niland commented.

Action taken:

Motion made by Representative Acosta, seconded by Representative Ortega. The motion passed unanimously to approve the amendments proposed to the Fund Balance Designation in policies for FY 2013 to go before City Council for approval.

**4. Discussion and Action on the City Debt Management Policy for FY 2013.
[Financial Services, Carmen Arrieta-Candelaria, (915) 541-4293]**

Summary:

Carmen Arrieta-Candelaria, Chief Financial Officer, introduced and explained the proposed amendments to the City Debt Management Policy for FY 2013. The proposed amendments are as follows: 1. the modification of the Section 10.3 to remove “unrestricted”, 2. the modification of Section 11 to change the necessary debt service tax rate up to a maximum amount to thirty cents (30 ¢) from 27 cents (27 ¢) per \$100 valuation, and 3. the removal of the Deputy City Manager for Finance and Management Support Services from section 15.1 Selection of Bond Counsel (Paragraph 1), and the replacement of the Finance and Management Support Services portfolio to the Chief Financial Officer’s portfolio in section 15.1 (Paragraph 2).

Representative Acosta commented.

Representative Byrd commented.

Action taken:

Motion made by Representative Acosta, seconded by Representative Ortega. The motion passed unanimously to approve the amendments proposed to the City Debt Management Policy for FY 2013 to go before City Council for approval.

5. Audit Plan Update. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Summary:

Edmundo Calderon introduced and explained the results for the Audit of International Bridges. Mr. Calderon explained that there were six findings and that an audit plan had been placed to correct such findings. Mr. Calderon acknowledged that there were no instances of fraud encountered during the course of the audit. Mr. Calderon noted that the findings were related to operational instances to balance the department expenditures, failure to follow the operations manual, and failure to deposit cash collections on a daily basis per the operations manual. Mr. Calderon addressed questions from the Committee about the results of the International Bridges Audit. Mr. Calderon explained that the implementation of internal controls relating to these findings had been delayed because of technology issues within the department. Mr. Calderon introduced and explained the results for the 2nd Follow-up Audit of the Environmental Services Department. He noted that the findings were essentially relating to expenditures that included per diem travel advances by the department. He acknowledged

that the department has improved their Accounts Payable system for expenditures relating to travel. Mr. Calderon introduced and explained the P-card Review of the Department of Transportation. Mr. Calderon addressed questions from the Committee about expenditures relating to P-cards. He acknowledged that it is the department administrator's responsibility to deactivate the P-cards once an individual is no longer employed by the department.

Representative Courtney Niland inquired about the structure of the audit reports issued by Mr. Calderon. He explained that the reports are located in the City Manager's website. Mr. Calderon confirmed that all follow-up reports issued by the Internal Audit Department include his recommendations and specifies whether they are in the process of implementation or they have been implemented. Mr. Calderon also explained that follow-ups are required for operational audits.

Representative Acosta inquired about the audit of the Internal Audit Department. Mr. Calderon explained that every three years the department goes through a Quality Assurance Review conducted by an external party. He acknowledged that the next Quality Assurance Review will be conducted in the Fall of 2013.

Action Taken:

Motion to accept the Audit Plan Update to be advanced to City Council was made by Representative Acosta. Motion was seconded by Representative Ortega. The motion passed unanimously.

6. Adjournment

A motion to adjourn was made by Representative Emma Acosta. The motion was seconded by Representative Steve Ortega.

Meeting adjourned at approximately at 12:11 P.M MST.

Submitted by:

**City Representative Susie Byrd, District 2
Chair, Financial and Audit Oversight Committee**

**Edmundo S. Calderon – Chief Internal Auditor
Internal Audit Office**